

**BALLARD  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

## TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-13
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 14
Statement of Activities	B 15-16
Governmental Fund Financial Statements:	
Balance Sheet	C 17-18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 19
Statement of Revenues, Expenditures and Changes in Fund Balances	E 20-21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 22
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 23
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 24
Statement of Cash Flows	I 25
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 26
Notes to Financial Statements	27-37
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	38
Note to Required Supplementary Information - Budgetary Reporting	39
Schedule of Funding Progress for the Retiree Health Plan	40
Other Supplementary Information:	<u>Schedule</u>
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	1 41
Schedule of Changes in Fiduciary Assets and Liabilities	2 42
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	3 43
Schedule of Expenditures of Federal Awards	4 44
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	45-46
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	47-48
Schedule of Findings and Questioned Costs	49-53

**BALLARD COMMUNITY SCHOOL DISTRICT**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Jean Saveraid	President	2013
Joyce Peterson	Vice President	2011
Kirk Peterson		2011
Tim Erickson		2011
David Jackson		2013

**School Officials**

John Speer	Superintendent
Janice Halverson	District Secretary/ Treasurer

# BRUCE D. FRINK

Certified Public Accountant

## Member:

- American Institute of Certified Public Accountants

- Iowa Society of Certified Public Accountants

## Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

## Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

## Independent Auditor's Report

To the Board of Education of  
Ballard Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Ballard Community School District, Huxley Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Ballard Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2012 on our consideration of Ballard Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ballard Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



BRUCE D. FRINK  
Certified Public Accountant

March 20, 2012

## **BALLARD COMMUNITY SCHOOL DISTRICT**

### **Management's Discussion and Analysis**

Ballard Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$12,645,495 in fiscal 2010 to \$13,830,844 in fiscal 2011, (a nine percent increase) while General Fund expenditures increased from \$12,515,095 in fiscal 2010 to \$13,103,275 in fiscal 2011 (five percent increase).
- The increase in General Fund revenues was primarily attributable to restoration of state revenues to previous levels. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The General Fund balance increased due to additional funding for the increased enrollment and the cash reserve levy.
- The statewide sales, services and use tax is being used for improvements to existing facilities and construction of new facilities. This tax allows the District to update its facilities for an expanding enrollment without raising property taxes.
- The District nears completion on the construction of a new high school facility. It will be open in August, 2011.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Ballard Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Ballard Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Ballard Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental and fiduciary funds and a multiyear comparison of revenues and expenses. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
*Ballard Community School District Annual Financial Report*

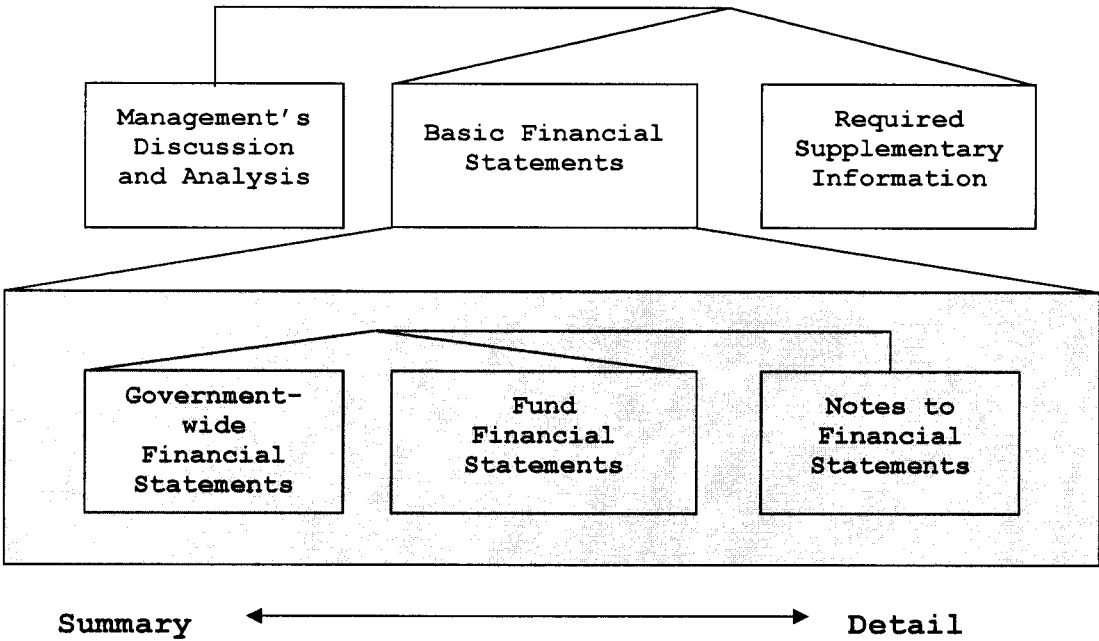


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services and internal services	Instances in which the district administers resources on behalf of someone else, such as community groups
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District also maintains an Internal Service Fund to account for health benefits.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others.

- *Agency Funds* - These are funds through which the District administers and accounts for certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2011 compared to June 30, 2010.

<b>Figure A-3</b> <b>Condensed Statement of Net Assets</b> <b>(Expressed in Thousands)</b>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current assets	\$ 16,173	21,748	85	85	16,258	21,833	-34.29%
Capital assets	34,185	20,807	27	27	34,212	20,834	39.10%
Total assets	50,358	42,555	112	112	50,470	42,667	15.46%
Current liabilities	9,657	8,900	15	15	9,672	8,915	7.83%
Non-current liabilities	27,720	22,663	-	-	27,720	22,663	18.24%
Total liabilities	37,377	31,563	15	15	37,392	31,578	15.55%
Net Assets							
Invested in capital assets, net of related debt	6,715	8,538	27	27	6,742	8,565	-27.04%
Restricted	6,129	3,109	-	-	6,129	3,109	49.27%
Unrestricted	137	(655)	70	70	207	(585)	382.61%
Total net assets	\$ 12,981	10,992	97	97	13,078	11,089	15.21%

Combined net assets grew as a result of the District's investment in capital assets as well as an increase in the General Fund. The District has taken advantage of the statewide sales, services and use taxes to expand its facilities in recent years. Funding trails growth by a year and creates a strain on the General Fund budget. This delay in funding is part of the reason that the cash reserve levy is necessary.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total District		Total Change	
2011	2010	2011	2010	2011	2010	2010-2011	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 946	866	459	468	1,405	1,334	5.32%
Operating grants, contributions and restricted interest	2,762	2,865	243	227	3,005	3,092	-2.81%
General revenues:							
Property tax	5,495	5,129	-	-	5,495	5,129	7.14%
Income surtax	142	155	-	-	142	155	-8.39%
Statewide sales, services and use tax	1,481	1,428	-	-	1,481	1,428	3.71%
Unrestricted state grants	6,931	5,890	-	-	6,931	5,890	17.67%
Unrestricted investment earnings	5	1	-	-	5	1	400.00%
Other	5	33	-	-	5	33	-84.85%
Total revenues	17,767	16,367	702	695	18,469	17,062	8.25%
Program expenses:							
Governmental activities:							
Instruction	9,205	8,896	-	-	9,205	8,896	3.47%
Support Services	4,082	3,887	-	-	4,082	3,887	5.02%
Non-instructional programs	-	3	680	660	680	663	2.56%
Other expenses	2,460	4,345	-	-	2,460	4,345	-43.38%
Total expenses	15,747	17,131	680	660	16,427	17,791	-7.67%
Change in net assets	\$ 2,020	(764)	22	35	2,042	(729)	-380.11%

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 81% of the total expenses. In a normal year instruction costs would be a higher percentage, but the District is experiencing increased costs due to construction projects. Spending on direct classroom instruction increased 3% in FY11.

#### Governmental Activities

Revenues for governmental activities were \$17,767,800 and expenses were \$15,747,650 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 9,205	8,896	3.47%	6,195	5,788	7.03%
Support services	4,082	3,887	5.02%	4,025	3,859	4.30%
Non-instructional programs	-	3	-100.00%	-	3	-100.00%
Other expenses	2,460	4,345	-43.38%	1,820	3,750	-51.47%
<b>Totals</b>	<b>\$ 15,747</b>	<b>17,131</b>	<b>-8.08%</b>	<b>12,040</b>	<b>13,400</b>	<b>-10.15%</b>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$945,521.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,627,594.
- The net cost of governmental activities was financed with \$5,495,260 in property tax and \$6,931,424 in state foundation aid.

#### **Business-Type Activities**

Revenues for business type activities during the year ended June 30, 2011 were \$201,933 and expenses totaled \$680,152. The District's sole business type activity is the School Nutrition Fund. Revenues of this activity are comprised of charges for service, federal and state reimbursements and investment income.

#### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As previously noted Ballard Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$6,675,732, a \$6 million decrease from last year's ending fund balances of \$13,051,085. 2011 showed a huge decrease as the high school building project was being completed. 2012 will show another loss as infrastructure projects come to completion.

#### **Governmental Fund Highlights**

- The District's General Fund balance increased as a result of increased enrollment and cash reserve levies. Allowable growth in recent years has been inadequate to keep up with increasing enrollment requirements.
- Inadequate allowable growth is a setback to the General Fund.
- The District continues to expand its facilities to meet the expanding enrollment primarily through the use of statewide sales, services and use tax revenues.
- The District's resident enrollment and open enrollment has continued to increase. This will allow the District to continue to grow; however, funding follows expenditures by a full year in many cases.

## **Proprietary Fund Highlights**

The School Nutrition fund increased during the year by 22%. The District has continued its agreement with Taher Inc. to manage the nutrition program. The District began an Internal Service Fund as part of an effort to control health benefit costs.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 38 and 39. The District did not exceed its General Fund unspent authorized budget.

### **Legal Budgetary Highlights**

The District's receipts were over \$230,000 less than budgeted receipts, a variance of 5%. The variance resulted from the District receiving less revenue than originally anticipated from state sources.

Total expenditures were less than budgeted, due primarily to the District's budget for the Capital Projects Fund. Timing of building costs was uncertain so additional was allowed. The project as a whole remains on budget. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

The District amended its budget during the year due to additional building costs and increased enrollment.

The District did not exceed its budget in any of the four functions nor did it exceed its unspent authorized budget.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2011, the District had invested \$34.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 58% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$725,511.

The original cost of the District's capital assets was \$42,749,834. Governmental funds account for \$42,692,163, with the remainder of \$57,671 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 792	643	-	-	792	643	23.17%
Construction in progress	22,382	8,896	-	-	22,382	8,896	100.00%
Site improvements	545	719	-	-	545	719	-24.20%
Buildings	9,521	9,891	-	-	9,521	9,891	-3.74%
Furniture and equipment	945	658	22	27	967	685	41.17%
Totals	<u>\$ 34,185</u>	<u>20,807</u>	<u>22</u>	<u>27</u>	<u>34,207</u>	<u>20,834</u>	<u>64.19%</u>

### Long-Term Debt

At June 30, 2011, the District had over \$27 million in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents an increase of approximately 30% from last year (See Figure A-7). Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(Expressed in Thousands)**

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
General obligation bonds	\$ 13,770	10,065	136.81%
Capital loan notes	1,400	-	100.00%
Early retirement	250	328	-23.78%
Revenue bonds	<u>12,300</u>	<u>12,300</u>	<u>100.00%</u>
Total	<u>\$ 27,720</u>	<u>22,693</u>	<u>122.15%</u>

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The statewide sales, services and use tax is being used for various building/remodeling projects and property tax relief throughout the District.
- The District has experienced increasing enrollment the past several years. This has caused short-term cash flow problems, as funding follows enrollment, not precedes it.
- Inadequate allowable growth of 2% or less will hamper the District's efforts to attain a strong General Fund position.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).

- Health insurance continues to be a very costly item to the District. Even though concessions have been made by employees in regard to deductibles and coinsurance, other solutions need to be found. The skyrocketing cost of health care and the insurance to cover the cost will soon be unattainable by many.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janice Halverson, District Secretary, Ballard Community School District, 509 N Main, PO Box 307, Huxley, IA 50124.

## **Basic Financial Statements**



## BALLARD COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities School Nutrition	Total
<b>Assets</b>			
Cash and pooled investments	\$ 10,165,515	91,645	10,257,160
Receivables:			
Property tax:			
Current year	50,959	-	50,959
Succeeding year	5,550,933	-	5,550,933
Income surtax - succeeding year	140,004	-	140,004
Due from other governments	189,327	-	189,327
Other receivables	76,259	-	76,259
Inventories	-	5,231	5,231
Capital assets, net of accumulated depreciation	34,185,134	22,149	34,207,283
<b>Total assets</b>	<u>50,358,131</u>	<u>119,025</u>	<u>50,477,156</u>
<b>Liabilities</b>			
Accounts payable	2,173,614	-	2,173,614
Accrued payroll and benefits	1,331,436	-	1,331,436
Accrued interest payable	308,471	-	308,471
Deferred revenue:			
Succeeding year property tax	5,550,933	-	5,550,933
Federal programs	292,851	-	292,851
Long term liabilities:			
Portion due within one year:			
Early retirement	109,527	-	109,527
Capital loan notes	225,000	-	-
General obligation bonds	540,000	-	540,000
Revenue bonds	660,000	-	660,000
Portion due after one year:			
Early retirement	140,407	-	140,407
Capital loan notes	1,175,000	-	1,175,000
General obligation bonds	13,230,000	-	13,230,000
Revenue bonds	11,640,000	-	11,640,000
<b>Total liabilities</b>	<u>37,377,239</u>	<u>-</u>	<u>37,152,239</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	6,715,134	22,149	6,737,283
Restricted for:			
Health benefits	8,427	-	8,427
Categorical funding	317,486	-	317,486
Student activities	234,736	-	234,736
Management levy	16,734	-	16,734
School infrastructure	4,704,425	-	4,704,425
Physical plant and equipment levy	737,065	-	737,065
Debt service	109,692	-	109,692
Unrestricted	137,193	96,876	234,069
	<u>12,980,892</u>	<u>119,025</u>	<u>13,099,917</u>

See notes to financial statements.

## BALLARD COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction	\$ 9,205,042	942,213	2,068,069	(6,194,760)	-	(6,194,760)
Support services:						
Student services	425,010	-	-	(425,010)	-	(425,010)
Instructional staff services	452,748	-	-	(452,748)	-	(452,748)
Administration services	1,650,802	-	-	(1,650,802)	-	(1,650,802)
Operation and maintenance of plant services	968,051	-	54,272	(913,779)	-	(913,779)
Transportation services	585,542	3,308	-	(582,234)	-	(582,234)
	4,082,153	3,308	54,272	(4,024,573)	-	(4,024,573)
Other expenditures:						
Facilities acquisition	122,100	-	63,076	(59,024)	-	(59,024)
Interest on long-term debt	1,043,854	-	3,094	(1,040,760)	-	(1,040,760)
AEA flowthrough	573,796	-	573,796	-	-	-
Depreciation (unallocated)*	720,705	-	-	(720,705)	-	(720,705)
	2,460,455	-	639,966	(1,820,489)	-	(1,820,489)
Total governmental activities	15,747,650	945,521	2,762,307	(12,039,822)	-	(12,039,822)

**BALLARD COMMUNITY SCHOOL DISTRICT**

Statement of Activities

Year ended June 30, 2011

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:						
Non-instructional programs:						
Nutrition services	680,152	458,735	243,198	-	21,781	21,781
Total	<u>\$ 16,427,802</u>	<u>1,404,256</u>	<u>3,005,505</u>	<u>(12,039,822)</u>	<u>21,781</u>	<u>(12,018,041)</u>
General Revenues:						
Property tax levied for:				\$ 3,669,670	-	3,669,670
General purposes				316,154	-	316,154
Management Fund				341,141	-	341,141
Capital outlay				1,168,295	-	1,168,295
Debt service				141,753	-	141,753
Income surtax - PPEL fund				1,481,350	-	1,481,350
Statewide sales, services and use tax				6,931,424	-	6,931,424
Unrestricted state grants				(7,478)	-	(7,478)
Loss on disposition of fixed assets				5,027	-	5,027
Unrestricted investment earnings				12,636	-	12,636
Other						
Total general revenues				14,059,972	-	14,059,972
Change in net assets				2,020,150	21,781	2,041,931
Net assets beginning of year				10,960,742	97,244	11,057,986
Net assets end of year				\$ 12,980,892	119,025	13,099,917

\* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.



**BALLARD COMMUNITY SCHOOL DISTRICT**

Balance Sheet  
Governmental Funds

June 30, 2011

**Liabilities and Fund Balances**

Liabilities:

Accounts payable	\$ 94,965	1,167	-	2,072,607	4,875	-	2,173,614
Accrued payroll and benefits	1,331,436	-	-	-	-	-	1,331,436
Deferred revenue:							
Succeeding year property tax	3,790,286	-	340,000	-	361,854	1,058,793	5,550,933
Succeeding year income surtax	-	-	-	-	140,004	-	140,004
Federal programs	292,851	-	-	-	-	-	292,851
Total liabilities	5,509,538	1,167	340,000	2,072,607	506,733	1,058,793	9,488,838

Fund balances:

Restricted for:							
Categorical funding	317,486	-	-	-	-	-	317,486
Student activities	-	234,736	-	-	-	-	234,736
Management levy	-	-	266,668	-	-	-	266,668
School infrastructure	-	-	-	4,704,425	-	-	4,704,425
Physical plant and equipment levy	-	-	-	-	597,061	-	597,061
Debt service	-	-	-	-	-	109,692	109,692
Unassigned	445,664	-	-	-	-	-	445,664
Total fund balances	763,150	234,736	266,668	4,704,425	597,061	109,692	6,675,732
<b>Total liabilities and fund balances</b>	<b>\$ 6,272,688</b>	<b>235,903</b>	<b>606,668</b>	<b>6,777,032</b>	<b>1,103,794</b>	<b>1,168,485</b>	<b>16,164,570</b>

See notes to financial statements.

## BALLARD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2011

<b>Total fund balances of governmental funds (Exhibit C)</b>		\$ 6,675,732
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>		
Income surtax receivable at June 30, 2011 is not recognized as income until received in the governmental funds, however it is included as a receivable in the Statement of Net Assets.		140,004
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		34,185,134
Internal Service fund assets that are to be included with governmental funds.		8,427
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(308,471)
Long-term liabilities, including compensated absences and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Early retirement		
Capital loan notes	\$ (249,934)	
General obligation bonds	(1,400,000)	
Revenue bonds	(13,770,000)	
	<u>(12,300,000)</u>	(27,719,934)
<b>Net assets of governmental activities (Exhibit A)</b>		<u>\$ 12,980,892</u>

See notes to financial statements.

# **BALLARD COMMUNITY SCHOOL DISTRICT**

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Fund Types

Year ended June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales Use Tax	Physical Plant and Equipment Levy				
Revenues:									
Local sources:									
Local tax	\$ 3,669,670	-	316,154	1,481,350	482,181		1,168,295		7,117,650
Tuition	942,213	-	-	-	-		-		942,213
Other	86,336	375,199	48,495	63,076	5,527		2,655		581,288
State sources	8,674,964	-	122	-	128		439		8,675,653
Federal sources	457,161	-	-	-	-		-		457,161
Total revenues	13,830,344	375,199	364,771	1,544,426	487,836		1,171,389		17,773,965
Expenditures:									
Instruction	8,916,559	314,857	159,824	-	-		-		9,391,240
Support services:									
Student services	424,035	-	975	-	-		-		425,010
Instructional staff services	452,199	-	549	279,067	61,452		-		793,267
Administration services	1,163,503	-	17,679	429,763	36,050		3,807		1,650,802
Operation and maintenance of plant services	1,020,666	-	91,937	-	4,180		-		1,116,783
Transportation services	552,517	-	39,638	-	25,145		-		617,300
	3,612,920	-	150,778	708,830	126,827		3,807		4,603,162
Other expenditures:									
Facilities acquisition and construction services	-	-	-	13,607,832	500		-		13,608,332
Principal on long-term debt	-	-	-	-	-		655,000		655,000
Interest on long-term debt	-	-	-	-	-		1,078,398		1,078,398
AEA flowthrough	573,796	-	-	-	-		-		573,796
	573,796	-	-	13,607,832	500		1,733,398		15,915,526
Total expenditures	13,103,275	314,857	310,602	14,316,662	127,327		1,737,205		29,909,928

**BALLARD COMMUNITY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales Use Tax	Physical Plant and Equipment Levy				
Excess (deficiency) of revenues over (under) expenditures	727,069	60,342	54,169	(12,772,236)	360,509			(565,816)	(12,135,963)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	5,760,000	-			-	5,760,000
Sale of equipment	600	-	-	-	-			-	600
Operating transfers in	-	-	-	-	-			571,553	571,553
Operating transfers out	-	-	-	(571,553)	-			-	(571,553)
Total other financing sources (uses)	600	-	-	5,188,447	-			571,553	5,760,600
Net change in fund balances	727,669	60,342	54,169	(7,583,789)	360,509			5,737	(6,375,363)
Fund balances beginning of year	35,481	174,394	212,499	12,288,214	236,552			103,955	13,051,095
Fund balances end of year	\$ 763,150	234,736	266,668	4,704,425	597,061			109,692	6,675,732

See notes to financial statements.



## BALLARD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2011

**Net change in fund balances - total governmental funds (Exhibit E)** \$ (6,375,363)

**Amounts reported for governmental activities in the Statement of  
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities. This represents the change in income surtax receivable from the prior year. 713

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 14,106,455	
Depreciation expense	<u>(720,705)</u>	13,385,750

Loss on disposition of capital assets (7,478)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(5,760,000)	
Repayments	<u>655,000</u>	(5,105,000)

Internal Service Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures. 8,427

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is reported as an expenditure in the funds when due. In the Statement of Activities, interest expense is recorded as the interest accrues, regardless of when it is due. 34,544

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement		<u>78,557</u>
------------------	--	---------------

**Change in net assets of governmental activities (Exhibit B)** \$ 2,020,150

See notes to financial statements.

## BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

Year ended June 30, 2011

	Business Type	Governmental Activities
	School Nutrition	Internal Service
<b>Assets</b>		
Cash and pooled investments	\$ 91,645	8,427
Inventories	5,231	-
Capital assets, net of accumulated depreciation	22,149	-
<b>Total assets</b>	<u>119,025</u>	<u>8,427</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	22,149	-
Restricted for health benefits	-	8,427
Unrestricted	96,876	-
<b>Total net assets</b>	<u>\$ 119,025</u>	<u>\$ 8,427</u>

See notes to financial statements.

## BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2011

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Operating revenue:		
Local sources:		
Charges for services	\$ 458,735	8,427
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	222,226	-
Benefits	54,581	-
Services	61,771	-
Supplies	336,768	-
Depreciation	4,806	-
	680,152	-
Internal service programs:		
Benefits	-	-
Total operating expenses	680,152	-
Operating income (loss)	(221,417)	8,427
Non-operating revenues:		
Local sources	60	-
State sources	6,285	-
Federal sources	236,853	-
	243,198	-
Net change in fund net assets	21,781	8,427
Net assets beginning of year	97,244	-
Net assets end of year	\$ 119,025	8,427

See notes to financial statements.

## BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2011

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Cash flows from operating activities:		
Cash received from sale of services	\$ 461,331	8,427
Cash payments to employees for services	(276,807)	-
Cash payments to suppliers for goods or services	(373,019)	-
Net cash provided by (used in) operating activities	(188,495)	8,427
Cash flows from non-capital financing activities:		
State grants received	6,285	-
Federal grants received	197,224	-
Net cash provided by non-capital financing activities	203,509	-
Cash flows from capital financing activities		
Interest on investments	60	-
Net (decrease) in cash and cash equivalents	15,074	8,427
Cash and cash equivalents beginning of year	76,571	-
Cash and cash equivalents end of year	\$ 91,645	8,427
<b>Reconciliation of operating income(loss) to net cash provided by (used by) operating activities:</b>		
Operating income(loss)	\$ (221,417)	8,427
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:		
Depreciation	4,806	-
Commodities used	39,629	-
Decrease in other receivables	2,596	-
Decrease in inventory	1,101	-
(Decrease) in accounts payable	(15,210)	-
	\$ (188,495)	8,427

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2011, the District received federal commodities valued at \$39,629.

## BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2011

	<u>Agency</u>
<b>Assets</b>	
Cash	\$ 49,469
<b>Total assets</b>	<u>49,469</u>
<b>Liabilities</b>	
Other payables	<u>49,469</u>
<b>Total liabilities</b>	<u>49,469</u>
<b>Net assets</b>	<u><u>\$ -</u></u>

See notes to financial statements.

# **BALLARD COMMUNITY SCHOOL DISTRICT**

## **Notes to Financial Statements**

**June 30, 2011**

### **(1) Summary of Significant Accounting Policies**

Ballard Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Huxley, Slater, Cambridge and Kelley, Iowa, and agricultural area in Story, Polk and Boone Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### **A. Reporting Entity**

For financial reporting purposes, Ballard Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Ballard Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Story County Assessor's Conference Board.

#### **B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Capital Projects Fund, Physical Plant and Equipment Levy is utilized to account for the maintenance and equipping of the District's facilities.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund, Statewide Sales, Services and Use Tax is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District's Internal Service Fund is used to account for the health insurance activities of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.



Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that met the capitalization threshold.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Intangible assets	100,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangible assets	5-10 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2011.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ending June 30, 2011, expenditures did not exceed the amended budget amounts in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

## **(2) Cash and Pooled Investments**

The District's deposits at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$8,706,398 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa School Joint Investment Trust were rated Aaa by Moody's Investors Service.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 642,780	148,732	-	791,512
Construction in progress	8,896,163	13,486,232	-	22,382,395
	<u>9,538,943</u>	<u>13,634,964</u>	<u>-</u>	<u>23,173,907</u>
Capital assets being depreciated:				
Buildings	15,023,238	-	-	15,023,238
Improvements other than buildings	1,718,378	-	5,549	1,712,829
Furniture and Equipment	2,377,320	471,491	66,622	2,782,189
Total capital assets being depreciated	<u>19,118,936</u>	<u>471,491</u>	<u>72,171</u>	<u>19,518,256</u>
Less accumulated depreciation for:				
Buildings	5,132,821	369,418	-	5,502,239
Improvements other than buildings	999,068	170,327	1,110	1,168,285
Furniture and Equipment	1,719,128	180,960	63,583	1,836,505
Total accumulated depreciation	<u>7,851,017</u>	<u>720,705</u>	<u>64,693</u>	<u>8,507,029</u>
Total capital assets being depreciated, net	<u>11,267,919</u>	<u>(249,214)</u>	<u>7,478</u>	<u>11,011,227</u>
Governmental activities, capital assets, net	<u>\$ 20,806,862</u>	<u>13,385,750</u>	<u>7,478</u>	<u>34,185,134</u>
<b>Business type activities:</b>				
Furniture and equipment	\$ 62,597	-	4,926	57,671
Less accumulated depreciation	<u>35,642</u>	<u>4,806</u>	<u>4,926</u>	<u>35,522</u>
Business type activities capital assets, net	<u>\$ 26,955</u>	<u>(4,806)</u>	<u>-</u>	<u>22,149</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				<u>\$ 720,705</u>
Business Type activities:				
Food service operations				<u>\$ 4,806</u>

(4) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2011 are as follows:

	Balance Beginning Year	Additions	Reductions	Balance End of Year	Due Within One Year
Capital Loan Notes	\$ -	1,400,000	-	1,400,000	225,000
Early Retirement	328,491	54,396	132,953	249,934	109,527
General Obligation Bonds	10,065,000	4,360,000	655,000	13,770,000	540,000
Revenue Bonds	12,300,000	-	-	12,300,000	660,000
Total	<u>\$22,693,491</u>	<u>5,814,396</u>	<u>787,953</u>	<u>27,719,934</u>	<u>1,534,527</u>

Capital Loan Note Payable

Details of the District's June 30, 2011 general obligation capital loan notes are as follows:

Year Ending June 30,	Capital Loan Note Issue of June 7, 2011			
	Interest Rate	Principal	Interest	Total
2012	1.00%	\$ 225,000	21,309	246,309
2013	1.15	225,000	17,420	242,420
2014	1.20	230,000	16,833	246,833
2015	1.60	235,000	14,072	249,072
2016	2.00	240,000	10,313	250,313
2017	2.25	245,000	5,512	250,512
Total		<u>\$1,400,000</u>	<u>85,459</u>	<u>\$1,485,459</u>

The District issued \$1,400,000 of general obligation capital loan notes for performing infrastructure projects in the District. Payments will be paid from the Physical Plant and Equipment Levy.

General Obligation Bonds Payable

The District issued \$4,360,000 of General Obligation Bonds to complete construction of the high school building. The bonds will be repaid from property tax proceeds levied in the debt service fund.

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 24, 2009			Bond Issue of October 1, 2010			
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Total
2012	3.25%	\$ 290,000	399,355	1.50%	\$ 250,000	119,438	1,058,793
2013	3.50	335,000	389,930	1.50	230,000	115,687	1,070,617
2014	3.50	360,000	378,205	1.50	225,000	112,238	1,075,443
2015	3.50	380,000	365,605	2.00	225,000	107,737	1,078,342
2016	4.00	400,000	352,305	2.00	225,000	103,238	1,080,543
2017-2021	3.90-4.00	2,380,000	1,501,825	2.50-2.75	1,145,000	435,652	5,462,477
2022-2026	4.10-4.50	3,125,000	960,490	2.90-3.40	1,175,000	273,677	5,534,167
2027-2029	4.65-5.00	2,230,000	219,965	4.00	795,000	64,400	3,309,365
Total		<u>\$9,500,000</u>	<u>4,567,680</u>		<u>\$4,270,000</u>	<u>1,332,067</u>	<u>19,669,747</u>

## Revenue Bonds Payable

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of December 1, 2009			
	Interest Rate	Principal	Interest	Total
2012	3.00%	\$ 675,000	517,687	1,192,687
2013	3.00	695,000	497,663	1,192,663
2014	3.00	500,000	477,112	977,112
2015	3.50	460,000	459,188	919,188
2016	4.00	475,000	443,637	918,637
2017-2021	4.00	2,660,000	1,929,938	4,589,938
2022-2026	4.25-5.00	3,305,000	1,304,594	4,609,594
2027-2030	5.00	2,870,000	416,150	3,286,150
Total		<u>\$11,640,000</u>	<u>6,045,969</u>	<u>17,685,969</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$12,300,000 bonds issued in December, 2009. The bonds were issued for the purpose of financing a portion of the costs of a new high school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$18,345,969. For the current year \$571,553 of principal and interest was paid on previously outstanding bonds and total statewide sales, services use tax revenues were \$1,481,350.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$1,177,445 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District was in full compliance with all of the revenue bond provisions during the year ended June 30, 2011. The required reserve account was established by the District and had a balance of \$1,177,445 at June 30, 2011.

### **(5) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants was 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2010-11A	6/30/10	6/23/11	\$ -	800,000	800,000	-
2010-11B	1/26/11	1/25/12	-	-	-	-
Total			\$ -	800,000	800,000	-

During the year ended June 30, 2011, the District paid \$2,151 of interest on the ISCAP warrants.

#### **(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members were required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$575,089, \$545,757, and \$483,870 respectively, equal to the required contributions for each year.

#### **(7) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$573,796 for year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **(8) Early Retirement**

The District offered an early retirement program to all employees who were employed at least 30 hours per week on a regular contract, were 55 years of age as of June 30, 2011 and had been employed by the District for at least fifteen consecutive years. Early retirement benefits are comprised of thirty percent of the regular salary plus a per diem of \$100 for licensed employees or \$50 for support staff employees for each day of unused sick leave up to a maximum of 125 days. Early retirement benefits paid during the year ended June 30, 2011 totaled \$132,953. A long-term liability has been recorded in the Statement of Net Assets representing the District's commitment to fund early retirement.

#### **(9) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 127 active and 15 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 82,305
Interest on net OPEB Obligation	(273)
Adjustment to annual required contribution	(5,121)
Annual OPEB Cost	76,911
Contributions made	(76,911)
Increase in net OPEB obligation	-
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	\$ -

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$80,139	100%	\$ -
June 30, 2011	\$82,305	100%	\$ -

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$608,267, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$608,267. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,498,000 and the ratio of the UAAL to covered payroll was 7.2%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the prior district experience.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### (11) Construction Commitment

The District has entered into contracts for the construction of a new high school and several remodeling projects.

The following figures are as of June 30, 2011:

	<u>New High School Construction</u>	<u>East Elementary</u>	<u>Remodeling</u>	<u>Total</u>
Total Contracts	\$21,223,628	1,085,000	236,000	22,544,628
Completed	20,286,162	225,600	40,135	20,551,897
Retainage	979,526	11,280	2,007	992,813
Previously Paid	19,115,552	123,208	-	19,238,780
Current Payable	927,658	91,112	38,128	1,056,898
To be Completed	697,466	859,400	195,865	1,752,731

#### (12) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$571,553

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

#### (13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects, Physical Plant and Equipment Levy</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ -	236,252
Change in fund type classification per implementation of GASB Statement No. 54	<u>236,252</u>	<u>(236,252)</u>
Balances July 1, 2010, as restated	<u>\$236,252</u>	<u>-</u>



## Required Supplementary Information

# **BALLARD COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

## Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 8,641,151	458,795	9,099,946	9,201,667	9,201,667	(101,721)
State sources	8,675,653	6,285	8,681,938	9,129,281	9,129,281	(447,343)
Federal sources	457,161	236,853	694,014	375,000	375,000	319,014
Total revenues	<u>17,773,965</u>	<u>701,933</u>	<u>18,475,898</u>	<u>18,705,948</u>	<u>18,705,948</u>	<u>(230,050)</u>
<b>Expenditures/expenses:</b>						
Instruction	9,391,240	-	9,391,240	9,701,000	9,701,000	309,760
Support services	4,603,162	-	4,603,162	4,548,000	5,000,000	396,838
Non-instructional programs	-	680,152	680,152	683,000	683,000	2,848
Other expenditures	15,915,526	-	15,915,526	10,902,291	16,000,000	84,474
Total expenditures/expenses	<u>29,909,928</u>	<u>680,152</u>	<u>30,590,080</u>	<u>25,834,291</u>	<u>31,384,000</u>	<u>793,920</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(12,135,963)	21,781	(12,114,182)	(7,128,343)	(12,678,052)	563,870
Other financing sources (uses)	<u>5,760,600</u>	<u>-</u>	<u>5,760,600</u>	<u>4,360,000</u>	<u>4,360,000</u>	<u>1,400,600</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	(6,375,363)	21,781	(6,353,582)	(2,768,343)	(8,318,052)	1,964,470
Balance beginning of year	<u>13,051,095</u>	<u>97,244</u>	<u>13,148,339</u>	<u>3,717,579</u>	<u>3,717,579</u>	<u>9,430,760</u>
Balance end of year	<u>\$ 6,675,732</u>	<u>119,025</u>	<u>6,794,757</u>	<u>949,236</u>	<u>(4,600,473)</u>	<u>11,395,230</u>

See accompanying independent auditor's report.

**BALLARD COMMUNITY SCHOOL DISTRICT**

**Note to Required Supplementary Information - Budgetary Reporting**

**Year ended June 30, 2011**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$5,549,709.

During the year ended June 30, 2011, expenditures did not exceed the amended budget amounts in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

**BALLARD COMMUNITY SCHOOL DISTRICT**

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$0	\$660	\$660	0.0%	\$8,391	7.9%
2011	Jul 1, 2009	\$0	\$608	\$608	0.0%	\$8,498	7.2%

See Note 10 in the accompanying Notes to Financial Statements for the plan description,  
funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## Other Supplementary Information

## BALLARD COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama/Speech	\$ 3,922	3,437	3,841	3,518
Vocal Music	7,357	37,733	29,874	15,216
Elementary Vocal	238	-	168	70
Instrumental Music	32,121	54,965	53,365	33,721
Music Account	(100)	6,539	6,439	-
Elementary Band	4,148	931	2,638	2,441
Dance Team	1,438	4,101	4,529	1,010
Yearbook	2,753	1,346	22	4,077
Elementary Activities	2,449	257	930	1,776
Gym Shoe Account	85	-	-	85
Jr/Sr High Activities	2,365	2,888	2,587	2,666
Cheer Team	-	12,819	12,484	335
Spanish Club	3,642	1,101	1,995	2,748
SADD	789	19	430	378
Junior High Student Council	32	-	32	-
Senior High Student Council	1,553	5,815	4,755	2,613
National Honor Society	888	6,193	5,209	1,872
Conflict Managers	1,347	1,548	1,281	1,614
East Elementary Student Council	10,298	6,090	5,187	11,201
West Elementary Student Council	16,305	10,238	3,089	23,454
Class of 2015	50	-	-	50
Class of 2016	-	279	279	-
Class of 2017	-	773	773	-
Class of 2010	494	-	494	-
Class of 2011	3,156	1,605	4,219	542
Class of 2012	510	16,692	13,843	3,359
Class of 2013	156	164	146	174
Class of 2014	120	20	-	140
Athletic Director	43,483	67,509	33,546	77,446
Boys Basketball	307	8,232	4,290	4,249
Football	9,203	29,724	27,036	11,891
Soccer	2,976	2,785	4,743	1,018
Baseball	(5,369)	11,574	3,618	2,587
Boys Track	8,700	6,355	13,871	1,184
Boys Tennis	(61)	977	389	527
Boys Golf	(170)	2,261	1,349	742
Wrestling	622	4,947	3,097	2,472
Girls Basketball	5,035	8,532	6,973	6,594
Volleyball	2,685	4,975	2,520	5,140
Girls Soccer	284	3,545	2,438	1,391
Girls Softball	(3,487)	9,026	2,253	3,286
Girls Track	10,001	10,713	18,773	1,941
Girls Tennis	(531)	1,757	565	661
Girls Golf	(1,226)	1,726	-	500
Concessions	5,826	25,008	30,787	47
Totals	174,394	375,199	314,857	234,736

See accompanying independent auditor's report.

## BALLARD COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2011

Account	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Character Education Council	\$ 79	-	-	79
Ballard Foundation	-	44,800		44,800
Clothes Pantry	-	52,308	52,308	-
GARP	1,597	-	-	1,597
East Elementary	903	250	-	1,153
Junior-Senior High	558	1,285	1,294	549
West Elementary	1,052	435	196	1,291
	<u>\$ 4,189</u>	<u>99,078</u>	<u>53,798</u>	<u>49,469</u>





## BALLARD COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY11	\$ 26,379
Food Distribution (non-cash)	10.555	FY11	39,629
National School Lunch Program	10.555	FY11	<u>170,845</u>
			<u>236,853</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY11	80,898
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	24,003
ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act	84.394	FY11	75,653
ARRA - State Fiscal Stabilization Fund (SFSF) Government Services, Recovery Act	84.397	FY11	67,479
Grants for Assessments and Related Activities	84.369	FY11	10,342
Improving Teacher Quality - States Grants	84.367	FY11	30,721
Vocational Education - Basic Grants to States	84.048	FY11	8,099
Heartland Area Education Agency 11:			
Special Education - Grants to States (IDEA Part B)	84.027	FY11	74,953
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY11	<u>85,013</u>
Total			<u>\$ 694,014</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Ballard Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

# BRUCE D. FRINK

Certified Public Accountant

## Member:

- American Institute of Certified Public Accountants

- Iowa Society of Certified Public Accountants

## Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

## Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Board of Education of the  
Ballard Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Ballard Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 20, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ballard Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Ballard Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ballard Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-11 to be significant deficiency.

202 Central Avenue East  
P.O. Box 241  
Clarion, IA 50525

Phone: (515) 532-6659  
Fax: (515) 532-3677  
bruce@frinkcpa.com

## Compliance and Other Matters

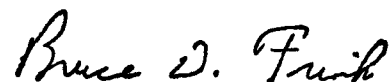
As part of obtaining reasonable assurance about whether Ballard Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted no instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Ballard Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Ballard Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Ballard Community School District and other parties to whom Ballard Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Ballard Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 20, 2012

# BRUCE D. FRINK

## Certified Public Accountant

### Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

#### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

#### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

#### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Ballard Community School District:

#### Compliance

We have audited the compliance of Ballard Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Ballard Community School District's major federal programs for the year ended June 30, 2011. Ballard Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Ballard Community School District's management. Our responsibility is to express an opinion on Ballard Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ballard Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Ballard Community School District's compliance with those requirements.

In our opinion, Ballard Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

#### Internal Control over Compliance

The management of Ballard Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Ballard Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ballard Community School District's internal control over compliance.

202 Central Avenue East  
P.O. Box 241  
Clarion, IA 50525

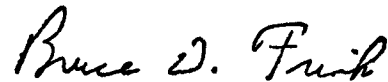
Phone: (515) 532-6659  
Fax: (515) 532-3677  
bruce@frinkcpa.com

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

Ballard Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Ballard Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Ballard Community School District and other parties to whom Ballard Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 20, 2012

**BALLARD COMMUNITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered Programs:
    - CFDA Number 84.027 - Special Education - Grants to States
    - CFDA Number 84.391 - ARRA - Special Education - Grants to States, Recovery Act
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Ballard Community School District did not qualify as a low-risk auditee.

BALLARD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

II-A-11 Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

II-B-11 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

**BALLARD COMMUNITY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs**

Year ended June 30, 2011

**Part II: Findings Related to the Financial Statements:**  
**(continued)**

II-C-11 Financial Reporting

Comment - During the audit, we identified material amounts of payables in the Capital Projects Fund which were not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation - The District should implement procedures to ensure all payables are identified and included in the District's financial statements.

Response - We will double check these in the future to avoid missing any payables.

Conclusion - Response accepted.

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

CFDA Number 84.027 - Special Education - Grants to States  
CFDA Number 84.391 - ARRA - Special Education - Grants to States, Recovery Act  
Federal Award Year: 2011  
US Department of Education  
Passed through Iowa Department of Education

CFDA Number 10.555 - National School Lunch Program  
CFDA Number 10.553 - School Breakfast Program  
Federal Award Year: 2011  
US Department of Agriculture  
Passed through Iowa Department of Education

III-A-11 Segregation of Duties - The District did not properly segregate custody, record keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response and Corrective Action Planned - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.



BALLARD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-11 Certified Budget - Expenditures for the year ended June 30, 2011, did not exceed the amended certified budget amounts in any of the four functions.
- IV-B-11 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-11 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-11 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-11 Certified Enrollment - No variance in the basic enrollment data certified to the Department of Education were noted.
- IV-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-11 Deposit and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-11 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

**BALLARD COMMUNITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part IV: Other Findings Related to Required Statutory Reporting:**  
**(continued)**

IV-L-11 Statewide sales, services and use tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$12,288,214
Revenues/transfers in:		
Statewide sales, services and use tax	\$ 1,481,350	
Other local sources	63,076	
Sale of long term debt	<u>5,760,000</u>	<u>7,304,426</u>
		19,592,640
Expenditures/transfers out:		
Equipment	708,830	
School infrastructure construction	13,607,832	
Debt service for school infrastructure:		
General obligation debt	<u>571,553</u>	<u>14,888,215</u>
Ending balance		\$ <u>4,704,425</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

	Rate of Levy Reduction Per \$1,000 Of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ <u>1.99</u>	\$ <u>571,553</u>